

Message Text

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ACTION AF-06

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P R 241210Z JAN 76
FM AMEMBASSY NDJAMENA
TO SECSTATE WASHDC PRIORITY 857
INFO AMEMBASSY LONDON
AMEMBASSY PARIS

C O N F I D E N T I A L NDJAMENA 0189

E O 11652: GDS
TAGS: ENRG, EINV, CD
SUBJECT: FINANCING MINI-REFINERY FOR CHAD

REF: NDJAMENA 0184

PASS AID/W FOR NDJAMENA CDO LUNDGREN

1. BEGIN SUMMARY: IN CONVERSATION WITH CONOCO/CHAD PRESIDENT
VOEGELI REPORTED REFTEL, AMBASSADOR RAISED QUESTION KNOWN TO BE
OF PARAMOUNT POLITICAL AND ECONOMIC IMPORTANCE TO GOC: ARE
CONOCO PETROLEUM FINDS THUS FAR SUFFICIENT TO SUPPORT SMALL
MINI REFINERY? VOEGELI'S REPLY WAS UNEQUIVICAL "YES",
WITH COMMENT PRINCIPAL PROBLDT IS ONE OF FINANCE. END SUMMARY.

2. CONOCO'S MOST RECENT PETROLEUM FIND, SEDIGI NO 1 NEAR
RIG RIG, IN NORTH HAS NOW BEEN SUFFICIENTLY TESTED, ACCORDING
TO CONOCO/CHAD PRESIDENT VOEGELI, SO THAT IT CAN BE SAID
WITH CERTAINTY THAT THE CRUDE IS OF QUALITY AND IN QUANTITY
SUFFICIENT TO SUPPORT SMALL REFINERYWHICH COULD SUPPLY
CHAD WITH LARGE PART GASOLINE AND DIESEL NEEDS.
VOEGELI BELIEVES PREASSEMBLED REFINERY SUCH AS PRESENTLY
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AVAILABLE IN U.S. AT COST ABOUT DOLLARS 2.5 MILLION COULD BE

READILY SET UP IN CHAD. IT WOULD PRODUCE ABOUT 1,000 BARRELS A DAY WHICH WOULD VERY NEARLY MEET CHADIAN NEEDS EXCLUSIVE OF AVIATION FUELS. TRANSPORTATION PROBLEMS FROM RIG RIG NOT OVERLY DIFFICULT AND COULD BE RESOLVED BY USE LARGE TRUCKS TO BEGINNING OF PRESENT ROAD AT MASSAKORY, OR, CONCEIVABLY, BY BARGE WHEN LAKE HIGH.

3. EMBASSY EXPECTS THAT CONOCO AND ASSOCIATES WILL CONSIDER CAREFULLY ECONOMIC POTENTIAL OF ESTABLISHING SMALL REFINERY, PARTICULARLY AS AGREEMENT WITH GOC GIVES COMPANY EXCLUSIVE RIGHTS OVER PRODUCTION IN CONCESSION AREAS. SHELL, AS ONLY ONE OF ASSOCIATES WITH DISTRIBUTION NETWORK CHAD, WOULD SEEM LOGICAL CANDIDATE. EMBASSY ALSO AWARE, HOWEVER, THAT CONOCO/CHAD PROBABLY MARGINAL OPERATION AT BEST FROM STANDPOINT PARENT COMPANIES WORLDWIDE INTERESTS AND THAT POTENTIAL RETURNS NOT OF MAGNITUDE TO INTEREST LARGE COMPANIES AT TIME WHEN DEVELOPMENT CAPITAL IN SHORT SUPPLY. ECONOMIC ADVANTAGE REFINERY TO CHAD APPARENT. (IN 1974 CHAD IMPORTED APPROXIMATELY 60,000 TONS OF PETROLEUM PRODUCTS VALUED AT ABOUT DOLLARS 10 MILLION. ABOUT ONE-THIRD OF QUANTITY CONSISTED OF AVIATION AND JET FUEL.) POLITICAL ADVANTAGES, FROM VIEW OF BOTH GOC AND USG, ARE EQUALLY IMPORTANT IF LESS IMMEDIATELY OBVIOUS. PERENNIAL FUEL SHORTAGES OF CONSTANT CONCERN TO GOC, WHILE NIGERIAN VAGARIES REGARDING SUPPLY DIESEL FUEL CAN HAVE LED TO EMBARRASSING MINICRISES. THESE FACTORS, PLUS NEW REGIMES OBSESSION WITH DESIRE TO DEMONSTRATE PROGRESS AS FIRST ANNIVERSARY OF MILITARY TAKE-OVER APPROACHES, GIVE TO REFINERY PROJECT IMPORTANCE BEYOND THE MERELY ECONOMIC WHICH WILL BE OF PRINCIPAL CONCERN CONOCO.

4. EMBASSY ANTICIPATES THAT IT ONLY MATTER OF TIME BEFORE GOC APPROACHES USG FOR ASSISTANCE THIS PROJECT EITHER TO ATTEMPT USE INFLUENCE ON CONOCO OR FOR DIRECT AID. WHILE PROJECT WOULD NOT APPEAR TO MEET CURRENT AID CRITERIA FOR CHADIAN DEVELOPMENT, IT MIGHT WELL MEET CRITERIA FOR OTHER INTERNATIONAL AGENCY REQUIREMENTS IN EVENT CONOCO REJECTS COMMERCIAL ROUTE. EMBASSY WOULD THEREFORE APPRECIATE DEPARTMENTS AND AID/W EVALUATION OF POSSIBILITIES OF CONCESSIONARY FINANCING BY INTERNATIONAL AGENCIES. AFRICAN CONFIDENTIAL

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DEVELOPMENT BANK, WHICH RECENTLY CONCLUDED LOAN FOR LAKE CHAD DEVELOPMENT PROJECT IN SAME AREA AS PETROLEUM FIND, WOULD APPEAR TO BE POSSIBILITY.

5. EMBASSY EXPECTS CONOCO/CHAD PRESIDENT VOEGELI TO PUSH REFINERY PROJECT IN HIS NEXT MEETING IN LONDON WITH HIS DIRECTORS IN MID-FEBRUARY. EMBASSY HOPES TO BE ABLE TO BRIEF VOEGELI ON POSSIBILITIES CONCESSIONARY FINANCING TO GOC

FOR PROJECT VDOR TO MEETING SO THAT HE MAY APPEAL FOR NECESSARY
SUPPORT FOR GOC-OWNED PLANT SHOULD DIRECTORS DECIDE COMMERCIAL
PROJECT NOT WORTH EFFORT. VOEGELI IS VERY CONCERNED, HOWEVER
THAT NO APPROACH BE MADE BY OTHERS TO PARENT COMPANIES BEFORE
HE HIMSELF CAN RAISE PROJECT IN ORDER TO AVOID ANY IMPLICATIONS
THAT HE ATTEMPTING PRESSURE SUPERIORS BY GOING THROUGH USG.

6. FOR LONDON: AMBASSADOR HEATH, DURING HIS VISIT TO NDJAMENA
LAST WEE, HAD DISCUSSIONS WITH EMBASSY AND VOEGELI ALONG
SAME LINES AS ABOVE.LITTLE

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